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THE FARM INDEX

May 1963

ECONOMIC RESEARCH SERVICE • U. S. DEPARTMENT OF AGRICULTURE

THE CHANGING MARKET FOR FARMLAND



Also in this Issue:

■ Feed Grains in Review ■ Egg Handling Efficiency
in the South ■ The Five Billion Dollar Market ■

ECONOMIC TRENDS

Item	Unit or base period	'57-'59 Average	1962		1963		
			Year	March	January	February	March
Prices:							
Prices received by farmers	1910-14=100	242	243	244	244	242	240
Crops	1910-14=100	223	231	233	228	232	238
Livestock and products	1910-14=100	258	254	254	257	251	242
Prices paid, interest, taxes and wage rates	1910-14=100	292	306	306	311	311	310
Family living items	1910-14=100	286	294	294	297	298	297
Production items	1910-14=100	262	269	269	274	274	274
Parity ratio		83	80	80	78	78	77
Wholesale prices, all commodities	1957-59=100	100.6	100.6	100.7	100.5	100.2	99.9
Commodities other than farm and food	1957-59=100	100.8	100.8	100.8	100.7	100.6	100.6
Farm products	1957-59=100	97.7	97.7	98.4	98.5	96.5	95.4
Food, processed	1957-59=100	101.2	101.2	101.6	100.8	100.5	99.1
Consumer price index, all items	1957-59=100	105.4	105.4	105.0	106.0	106.1	.....
Food	1957-59=100	103.6	103.6	103.2	104.7	105.0	.....
Farm Food Market Basket:¹							
Retail cost	Dollars	.....	1,067	1,064	1,078	1,084	.....
Farm value	Dollars	.....	410	414	408	399	.....
Farm-retail spread	Dollars	.....	657	650	670	685	.....
Farmers' share of retail cost	Per cent	.....	38	39	38	37	.....
Farm Income:							
Volume of farm marketings	1947-49=100	123	137	105	151	108	107 ³
Cash receipts from farm marketings	Mil. dollars	32,247	35,749	2,310	3,289	2,331	2,273 ³
Crops	Mil. dollars	13,766	15,900	708	1,627	877	722 ³
Livestock and products	Mil. dollars	18,481	19,849	1,602	1,662	1,454	1,551 ³
Realized gross income ²	Bil. dollars	.....	40.6	.....	.....	.....	.....
Farm production expenses ²	Bil. dollars	.....	27.7	.....	.....	.....	.....
Realized net income ²	Bil. dollars	.....	12.9	.....	.....	.....	.....
Agricultural Trade:							
Agricultural exports	Mil. dollars	4,105	5,031	428	202	498	.....
Agricultural imports	Mil. dollars	3,977	3,876	326	233	374	.....
Land Values:							
Average value per acre	1947-49=100	.....	.....	118	.....	.....	123
Total value of farm real estate	Bil. dollars	.....	.....	139.9	.....	.....	146.2
Gross National Product²							
Consumption ²	Bil. dollars	456.7	553.9	545.0	.....	.....	.....
Investment ²	Bil. dollars	297.3	356.7	350.2	.....	.....	.....
Government expenditures ²	Bil. dollars	65.1	76.6	75.9	.....	.....	.....
Net exports ²	Bil. dollars	92.4	117.3	115.2	.....	.....	.....
	Bil. dollars	1.8	3.3	3.7	.....	.....	.....
Income and Spending:							
Personal income	Bil. dollars	.....	440.5	435.2	452.4	451.1	452.7
Disposable income ²	Bil. dollars	321.3	382.9	375.6	.....	.....	.....
Total retail sales, seasonally adjusted	Mil. dollars	.....	19,613	19,328	20,247	20,452	20,695
Retail sales of food group, seasonally adjusted	Mil. dollars	.....	4,801	4,680	4,943	4,911	.....
Employment and Wages:							
Total civilian employment, seasonally adjusted	Millions	.....	67.8	67.9	68.2	68.1	68.6
Agricultural, seasonally adjusted	Millions	.....	5.2	5.5	5.2	4.8	5.0
Rate of unemployment, seasonally adjusted	Per cent	.....	5.6	5.5	5.8	6.1	5.6
Workweek in manufacturing, seasonally adjusted	Hours	.....	40.4	40.5	40.2	40.3	40.3
Hourly earnings in manufacturing	Dollars	.....	2.39	2.38	2.43	2.43	2.44
Industrial Production, seasonally adjusted	1957-59=100	.....	118	117	119	119	120
Manufacturers' Sales and Inventories:							
Total sales, seasonally adjusted monthly rate	Mil. dollars	.....	33,260	33,220	33,130	34,030	.....
Total inventories	Mil. dollars	.....	57,210	56,570	57,480	57,710	.....
Total new orders	Mil. dollars	.....	33,050	32,950	33,900	34,600	.....

¹ Average annual quantities of farm food products based on purchases per wage-earner or clerical-worker family in 1952—estimated monthly.
² Annual rates seasonally adjusted fourth quarter. ³ Preliminary.

Sources: U.S. Department of Agriculture (Farm Income Situation, Market-

ing and Transportation Situation, Agricultural Prices, Foreign Agricultural Economics and Farm Real Estate Market Developments); U.S. Department of Commerce (Industry Survey, Business News Reports, Advance Retail Sales Report and Survey of Current Business); and U.S. Department of Labor (The Labor Force and Wholesale Price Index).

THE AGRICULTURAL OUTLOOK

Demand for farm products is continuing to expand about in proportion to increases in population . . . but supplies of farm products also are increasing. Supplies of some products, notably beef and pork, are up substantially. Consequently, overall prices received by farmers are declining somewhat. Weakness in prices for cattle and hogs accounts for much of decline.

Inventory of cattle on feed April 1 was up 11 per cent from year earlier. Cattle feeding is up in all areas, but much more in West than Corn Belt. Fall pig crop in 1962 was about 5 per cent larger than year earlier and crop this spring is expected above last year. Egg production, currently near year earlier, may significantly exceed 1962 level by year end . . . but year's total expected to be off a little.

Following end of dock strike in January, farm exports in February totaled \$498 million . . . were \$411 million year earlier.

Personal income in early spring was continuing up . . . rise appeared more broadly based than in late 1962. Late in first quarter, wage and salary disbursements turned up in commodity-producing

industries after being relatively stable for several months. Most other types of personal income also were rising.

Retail sales in first quarter were 7 per cent greater than year earlier. Auto sales were of major importance.

Housing starts declined during first quarter, but authorization of new housing units has continued at high level, indicating more than seasonal rise in starts in second quarter.

Industrial production in early spring continued around 120 per cent of 1957-59 average . . . has been at 119 or 120 since last June.

Employment in March rose sharply and more than offset rise in labor force resulting in unemployment rate decline—from 6.1 per cent in February to 5.6 per cent. Average rate in 1962 was about 5.6 per cent of labor force.

COMMODITY HIGHLIGHTS

Prices of fed cattle declined sharply during first quarter of 1963, but prices of slaughter cows increased slightly. Choice steers at Chicago were \$22.91 per hundred pounds in mid-March, \$4.84 below first week in January. Utility grade cows at Chicago, however, increased from \$15.25 to \$15.62 during same period. From mid-March to mid-April, fed steer prices recovered about \$1.40. Outlook is for large volume marketings of fed cattle to continue through mid-year with prices under pressure. Some improvement in fed cattle prices is expected during last half.

Hog prices dropped sharply in January through early April because of increased supplies. Barrows and gilts at Chicago declined from \$15.96 in first week of January to \$13.83 in early April. Hog slaughter during second quarter is not expected to exceed year earlier by large margin. Prices likely will increase seasonally from late spring to peak about August but remain below 1962.

Choice grade lambs at Denver were just under \$20 in early January . . . worked down to about \$19 by final week in March, were still \$2 above year earlier. Sheep and lamb slaughter in first quarter was considerably under year earlier . . .

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likely will continue under 1962 but margin will narrow. In line with lower supply, prices probably will remain above last year through rest of 1963.

Milk production, in first quarter down nearly 1 per cent below same period of 1962, may be around last year's level in second quarter as weather moderates and pastures become available.

In January-March, **butter** production was down about 10 per cent and **cheese** production down about 2 per cent from year earlier. This was result of lower total milk production and greater use of milk for fluid products, evaporated milk and dry whole milk.

As **egg** production rose seasonally, farm prices in mid-April moved much below first quarter average of 36.7 cents per dozen.

Broiler prices in April-June are likely to continue higher than year before . . . hatching activity in first quarter was below year earlier. Higher prices seem probable despite greater competition from red meats and reduced poultry exports to Common Market.

Producers received 22.5 cents per pound for **turkeys** in March compared with 20.8 in March 1962. Higher prices are expected to continue to mid-year because of smaller supplies.

Farmers' March 1 plans indicate about 128 million acres in **feed grains** this year, 2.6 million more than in 1962. However, this will be slightly below 1961 and 23 million acres below 1959 and 1960 level. Plans were to increase acreages of corn and sorghum over last year and to reduce acreages of oats and barley.

Given average yields on this prospective acreage with adjustment for trend, 1963 production of feed grains would total nearly 152 million tons, 6 per cent above 1962 but 3 per cent below record output in 1960.

Carryover of feed grains into 1963-64 is expected to be down from year earlier . . . total supply will be a little less than in 1962-63.

Wheat crop this year is expected to total about 1,167 million bushels including 927 million of winter wheat and 240 million of spring wheat. Quantity of 1962-crop wheat remaining under price support on March 31 totaled 255 million bushels, substantially above year earlier.

Preference for food **fat** products appears to be shifting toward greater use of liquid-type oil products, such as cooking and salad oils, and vegetable oil products with less use of butter and lard. Both butter and lard consumption per person were record low in 1962, and margarine use declined first time since 1955.

Carryover of all kinds of **cotton** in U.S. next August 1 is expected to total at least 10.6 million bales . . . about 2.8 million more than on previous August 1 and largest since 1957. Carryover is increasing during current season because both mill use and exports are less than year earlier and 1962 crop was largest since 1953.

Under reduced allotments, planting of about 14.8 million acres of cotton has been indicated for 1963 . . . 9.2 per cent less than 16.3 million acres planted in 1962—will be smallest acreage since 1958.

World **wool** prices remained relatively strong during early months of 1963—demand for smaller than normal supplies was stable. World demand can be expected to remain steady. More blending or substitution of manmade fibers is likely. Marketing of spring clips from Northern Hemisphere will partially alleviate short wool supply in most major manufacturing countries. Moderately lower world wool prices are expected during latter part of 1963.

Peach prospects on April 1 in southern states were better than year earlier. Peaches from these states and California are among earliest of new-crop deciduous **tree fruits** to be marketed, usually starting in May. Early spring crop of **strawberries**, with harvest extending into May, is considerably smaller than 1962 crop. Acreage in mid-spring harvest states is 4 per cent smaller than last year, acreage in late-spring harvest states, 2 per cent larger.

Early reports point to ample to heavy supplies of **vegetables** through spring. Indications are that supplies of both fresh and frozen vegetables, excluding potatoes, will be about same as last spring . . . materially more canned vegetables are available. With larger early spring production than last year and a moderate increase in acreage for late spring harvest, supplies of potatoes are likely to remain large through spring.



THE CHANGING MARKET FOR FARMLAND

Land is the basic ingredient of farming; it is also a capital investment, a taxable property and an increasingly complex financial and legal matter

Land is a unique and versatile commodity. It doesn't depreciate if properly managed and it is capable of delivering an endless stream of services, depending on how skillfully it is used.

But though it doesn't deteriorate, it changes. Farmland has absorbed capital in the form of drainage, clearing, irrigation, and conservation structures that stretch the land, until today it is capable of yielding 65 per cent more than it did even 40 years ago.

As the land has changed, so has the market for it, and so too have the legal and financial institutions connected with it.

The market value of land has risen almost without interruption despite little real change in total net income of farmers. Simultaneously, rates of return on capital invested in land have trended downward and now have reached a level below mortgage interest rates.

The rate of open-market transfers has slowly declined. Present owners have responded to the

same expectations of capital appreciation as have prospective buyers.

Although mortgage funds of commercial lenders are adequate, many prospective buyers can't meet the downpayments required. The installment contract has emerged as one way to close the gap between equity capital available and the maximum loan obtainable from commercial lenders. The seller has become more and more often the creditor in the transaction.

Many tax laws are taking on greater importance in real estate transactions, too. There is, for instance, greater awareness of the tax shelter feature of real estate, particularly as a means to convert ordinary income into capital gains.

Also, property transfers are now being structured to minimize or postpone taxes on capital gains by means of exchanges or estate planning. And buyers are paying more attention to depreciation allowances. In some circum-

stances, people are literally buying depreciation allowances rather than the property itself.

There have been changes in demand structure for land, too. Today's buyer is increasingly apt to be a farmer who wants to enlarge his operation.

The proportion of all transfers to enlarge farms has about doubled since 1950. Better technology, as well as the cost-price squeeze, has added to the reasons for expanding the size of the farm business.

The need for land outside the agricultural economy is changing. More farmland is being bought up for highways, airports, factory sites, subdivisions, and shopping centers.

There has also been stronger demand for lower grade and submarginal lands to be used for timber, private recreation, and rural residences.

Finally, because of government programs to adjust production, allotments have become a part of the capital value of land. (1)

Few Deeds to Farmland Change Hands from Year to Year; Only Small Share of Land Value Controlled by Nonfarmers

The nation's farmland and buildings are worth roughly \$140 billion, but less than 2 per cent of this value changes hands from year to year. Total value of all sales was about \$2.5 billion in 1961-62.

More than half of what is sold each year passes from one farmer to another. Only about a third of the dollar value of voluntary sales in 1961 were transactions by nonfarmers.

The net investment in farm real estate by nonfarmers during 1961 amounted to only \$233 million.

If as much as one-half of the value of estate sales actually represented sales by nonfarmers, the net investment by nonfarmers was probably less than \$100 million.

Since the late 1930s and early 1940s, nonfarm capital has been moving out of farmland. The movement was largely the result of lending agencies liquidating holdings acquired during the black days of the depression.

The tide of investment turned a little about the middle of World War II when farmland looked more attractive as an inflation-hedging investment. The same thing happened during the Korean outbreak.

The net flow of nonfarm capital into farm real estate has been

SOUTHERN STATES SHOW BIGGEST INCREASE IN LAND VALUE

The value of farm real estate continued to swing upward for most of last year. During the year ended November 1, 1962, the average market value of farmland rose 4 per cent.

It was the equal of the increase in farm real estate values that took place between November 1, 1960, and November 1, 1961.

The South registered the biggest gains—9 per cent in four states. The states were Oklahoma, Arkansas, Georgia and Florida.

a relatively minor proportion of the total in recent years.

And at least a fifth of the purchases of rural lands by nonfarmers represent part-time farms, retirement places, rural homes and vacation retreats. As such, they are largely investments in durable consumer goods, rather than in the productive assets of agriculture.

The purchase of farmland strictly for investment is significant only in a few parts of the country. (2)

The current dollar value of all farmland was estimated at \$141 billion last November, \$6 billion more than a year earlier and \$11 billion more than two years earlier.

As a result of the increased value of farmland, the average value of land and buildings was \$126 per acre last November; per farm, the figures averaged out to \$43,000.

The market values increased in all states except Maine and Minnesota in the latest 12-month period. Values increased 5 per cent or more in some 19 states, most of which were in the South or West.

More modest gains of 2 or 3 per cent a year have been typical of most states in the Corn Belt, Northeast and Northern Plains regions.

The larger increases in the four southern and south-central states are a continuation of a trend that has been going on throughout the South for the past decade.

Part of the reason the South has led in the increase may be the regional rise in off-farm employment, industrialization and urbanization. The price of farmland has, no doubt, been pushed up by these changes.

Another cause may be that the value of farmland in the South, when compared with parts of the East, was lower to begin with. The total dollar change would

VALUE OF VOLUNTARY TRANSFERS OF FARM REAL ESTATE AND THE INVESTMENT ROLE OF NONFARMERS

Period	All voluntary transfers	Transactions by nonfarmers		
		Purchases	Sales	Net investment
	Million dollars	Million dollars	Million dollars	Million dollars
1920-24	1,091	1	1	1
1925-29	802	1	1	1
1930-34	420	145	1	1
1935-39	649	201	1	1
1940-44	1,209	408	393	15
1945-49	2,294	635	395	240
1950-54	2,258	644	332	312
1955-59	2,356	827	595	232
1961 ²	2,474	806	573	233

¹ Not available. ² Not strictly comparable with earlier periods.

show up as a bigger percentage.

The retirement and conversion of lower grades of farmland in the South to forestry and recreational uses have also helped to strengthen market prices. This changing use of rural land may have helped to raise the average value of the acres remaining in farms.

The value of farmland in the Corn Belt, where the range is \$200 to \$300 per acre, is more nearly related to returns. (3)

CREDIT USE FOR LAND PURCHASES SHOWS FOUR POINT RISE

The farmers of the nation are buying more of their land on credit these days than they have for the past six years.

Between 1956 and 1961, some 67 per cent of farmland sales were credit financed. But during the year ending March 1, 1962, an estimated 71 per cent of all farmland purchases involved the use of some form of credit.

The proportion of credit sales to the total was highest in the Northeast, Lake states, Mountain and Pacific regions. Sales of farmland for credit amounted to 75 to 78 per cent of all sales in these areas. The ratio was, however, no higher than in the previous year.

In the other six regions of the country, credit was on the upswing, sometimes sharply.

In the Appalachian region, for example, 58 per cent of sales were credit financed in 1962, compared with 49 per cent the year before. In the Southern Plains such sales were 7 per cent higher in the year ending March 1, 1962, and in the Northern Plains and Delta states they were 6 per cent higher.

The average amount of debt was 68 per cent of the sale price in the year ended March 1, 1962, compared with 66 per cent the year earlier.

Far and away the most important source of credit for farmland purchases was the seller himself.

Price of Farm Real Estate Has Risen in Past 20 Years While the Number of Sales Has Dropped Steadily Year After Year

While the price of an acre of farmland has been moving almost steadily upward for the past 20 years, the number of sales taking place every year has been getting smaller.

Between March 1, 1961, and a year later, the total market value of all open-market transfers was

estimated at \$2.5 billion, or less than 2 per cent of the total market value of all farm real estate.

The average acreage going on the block hasn't changed much recently, despite the larger size of today's farms. A good part of the increase in farm size has resulted from the purchase or rental of additional land. Farm properties that do go on the market are typically smaller farms, or parcels of land that belonged to larger units.

Though the average annual value of real estate sales is not large, when compared with the total value of farmland, it is still a big part of the total agricultural investment. For instance, capital expenditures for farm buildings were estimated at \$1.6 billion in 1961. For tractors, trucks, and farm machinery the figure was \$2.3 billion.

These investments are far more widely distributed among all farmers than are land purchases. With only 125,000 transactions involved, the average land purchase amounted to about \$20,000 in the year ending March 1, 1962. The actual cash outlay was less than this, of course, because more than two-thirds of the transactions involved credit.

Most of the farmland sales were between active farmers, but a portion of them were purchases by non-farmers. As such, these sales represent an investment in agriculture by the non-farm sector of the economy. In the year ending March 1, 1962, the value of farm real estate purchased by non-farmers was not much larger than the value of sales by nonfarmers.

The trend to larger farms is responsible for some important shifts in the type of tract being sold. Primarily it means that fewer complete farms are being sold these days. (5)

The seller was creditor in 41 per cent of the transfers involving credit last year.

Commercial banks were the next most important source supplying loan funds for 15 per cent of all credit sales. Insurance companies financed 14 per cent. Federal land banks supplied credit for roughly 10 per cent of the sales in 1962.

Among sources of credit, individual sellers required the smallest downpayment. (4)

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The Intellectual Quotient

• One hundred years ago, Congress established two institutions that have benefited every American citizen. Both the U.S. Department of Agriculture and the land-grant college system observed their 100th birthday last year.

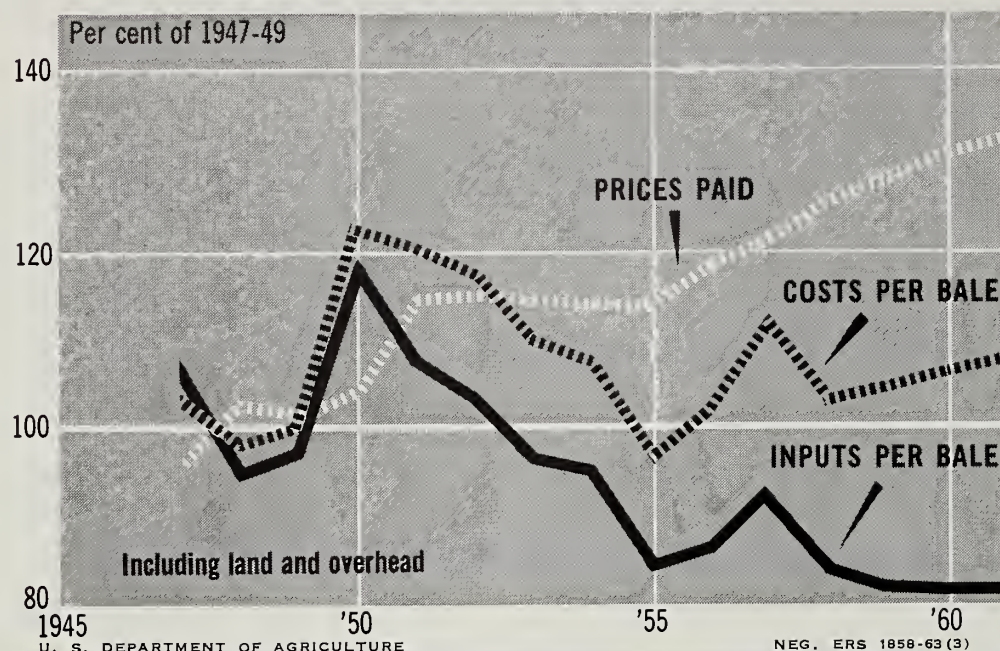
• The land-grant schools filled a considerable gap in American education. In 1862 there were only a few colleges and enrollment was limited and expensive.

• Land-grant colleges, now 68 in all, make up less than 5 per cent of the nation's colleges and universities. Yet they enroll some 20 per cent of all undergraduates. They award about 40 per cent of all Ph.D.s.

• More than half of the living Nobel Prize winners who went to college in the U.S. earned degrees at land-grant institutions. (6)

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INPUT PER BALE OF COTTON DECLINING BUT HIGHER PRICES RESULT IN INCREASED COSTS



COTTON GROWERS MORE EFFICIENT BUT COSTS CUT PROFITS

There is 20 per cent more efficiency wrapped up in a bale of cotton these days. In total, it took that much less land, labor, power, fertilizer, irrigation and ginning to produce a bale of cotton in 1959-61 than it did in 1947-49.

As far as the farmer is concerned, however, this gain in efficiency per bale was totally wiped out by increased prices paid for the same inputs.

Though direct costs per bale dropped some 8 per cent in the period, total costs per bale rose 6 per cent because of the rise in prices paid for overhead items and charges for land.

These figures are based on one method of allocating overhead and estimating land charges. Estimates would differ with other methods of handling these costs.

The biggest saving was in labor. Between 1947-49 and 1959-61, the labor going into a bale of cotton was cut by nearly one-half, with mechanical harvesting largely replacing hand methods. In the same period, overall wage rates rose only 11 per cent.

The amount of power and equip-

ment per bale of cotton also dropped noticeably despite the trend to mechanization. The vast drop in animal power more than offset the increased use of machinery, resulting in a net cut of 12 per cent for this input. Prices paid for power and equipment rose about one-third.

Ginning charges also rose—

about 53 per cent. Some of this was the result of installing improved gins to handle machine harvested and hand-snapped cotton.

With a 51 per cent increase in yield per acre, the land input per bale of cotton decreased by 15 per cent. The land area used per bale dropped even more, but the higher quality of land used for cotton production, combined with fewer acres of cotton per farm, resulted in a relatively high amount of land allocated to cotton. The overhead assigned to a bale of cotton also fell about 20 per cent.

But while quantities used declined, prices for these indirect costs soared. The combined increase in land values and interest rates was 123 per cent and prices of overhead items rose 47 per cent.

The biggest increase in quantity of inputs was in such materials as seed, insecticides, herbicides and defoliants. Their use climbed by 140 per cent per bale. However, the overall prices of these inputs dropped 22 per cent.

The same two-way change occurred in the use of fertilizer. While fertilizer prices dropped by 10 per cent, 23 per cent more of it was used to produce a bale of cotton in 1959-61 than in 1947-49. (7)

Cotton Supply and Carryover for 1962-63 Marketing Year Are Large as Disappearance Declines at Home and Abroad

Disappearance of cotton during 1962-63 is estimated at around 12.3 million bales, 1.6 million less than in the previous marketing year.

The decline in disappearance during the current year is due to a drop in both mill consumption and exports.

Mill consumption should be about 8.3 million running bales in 1962-63, down 700,000 bales from 1961-62. Exports of cotton are expected to be at least 900,000 bales below the last marketing year and total 4 million running

bales by August 1.

When the 1962-63 marketing year began last August 1, the cotton supply in the U.S. totaled around 22.9 million running bales, the largest since 1959-60. This includes ginnings from the 1962 crop of 14.9 million bales, imports and city crop of 0.2 million, and the beginning carryover of 7.8 million bales.

The carryover next August 1 should be about 10.6 million bales, 2.8 million above 1961-62 and the largest since the 11.3 million of 1957. (8)

Large and Small Cotton Farmers Saw Little Change in '62 Incomes

California cotton farmers are still the giants of the field, according to the latest tally of net incomes for cotton farms.

Net farm income for large cotton and general crop farms in the San Joaquin Valley averaged \$79,700 in 1962. These farms towered over their nearest competitors; cotton and specialty crop farms, also in California, averaged \$31,400 in net farm income, and large-scale cotton farms in the Mississippi Delta returned \$31,000.

The leading cotton farms were simply beyond comparison with the smallest ones in the study. The small-scale cotton farmer in the Mississippi Delta ended 1962 with a net farm income of about \$2,000.

With few exceptions, changes in organization, costs and returns from 1961 to 1962 on typical cotton farms were small compared with other years. Where substantial changes did occur, incomes were brought in line with the five-year average for the type of farm.

The largest increase (132 per cent) took place on cotton-specialty crop farms in the San Joaquin Valley. But incomes on these farms were unusually low in 1961.

At the other extreme, incomes on non-irrigated cotton farms in the High Plains of Texas were nearly cut in half. For irrigated cotton farms in the same area, incomes dropped relatively less because crop production was better. The 1961 incomes for both these types of farms were at record highs. Incomes for the other seven types of cotton farms changed less than 10 per cent in either direction.

Most of the changes in net farm income were due to variations in yields per acre and in the cost-price relationship. (9)

NET FARM INCOMES IN THE MAJOR COTTON PRODUCTION AREAS

Type of farm	1961	1962	Percentage change
	Dollars	Dollars	Per cent
Cotton farms:			
Southern Piedmont	2,666	2,729	2
Mississippi Delta:			
Small	2,035	2,012	-1
Large-scale	30,349	30,986	2
Texas:			
Black Prairie	3,297	3,562	8
High Plains (non-irrigated)	13,275	6,804	-49
High Plains (irrigated)	23,350	19,617	-16
San Joaquin Valley, California, irrigated:			
Cotton-general crop (medium-sized)	24,491	25,602	5
Cotton-general crop (large)	75,778	79,731	5
Cotton-specialty crop	13,516	31,374	132
Peanut-cotton farms:			
Southern Coastal Plains	4,112	3,747	-9

COTTON FARMERS BUYING MORE PRODUCTION GOODS IN TOWN

The cotton farmer, like practically every other farmer in the United States, finds himself relying more and more on production goods purchased off the farm.

These purchases are an investment in higher, more profitable yields. But they also make financing increasingly risky.

Take a Delta plantation for illustration. The cost of machinery for a typical 600-acre farm ran about \$13,500 in 1947-49. This investment had more than doubled by 1960, averaging \$30,000.

Stepped up use of fertilizers, insecticides, herbicides and defoliants, also increased costs.

The cost of an insect control program on the typical farm amounted to about 10 per cent of production costs. Weed control took another 16 per cent.

The cost of harvesting, including defoliation and hauling to the gin, made up another 44 per cent.

The remaining 30 per cent of production costs went for seed, fertilizer, seedbed preparation, planting and ginning.

These estimates do not include such overhead items as land charges, building depreciation, re-

pairs, electricity. It is impossible to assign these costs to a single crop with any accuracy.

The shift to more non-farm goods and services can be illustrated with some national figures. For example, farmers in the United States now spend almost four times as much for such items as they did in 1940.

In 1960, they accounted for 63 per cent of total production expenses on all farms. In the Delta, they amounted to between 55 and 60 per cent of total costs.

This reliance on production items from off-farm sources means the farmer is all the more vulnerable to changes in price. In the old days he relied on animal power. The chances were that when the price of cotton went down so did the cost of feed. It helped to cushion the blow.

Nowadays, the price of gasoline for his tractor stays about the same, no matter what happens to the price of cotton.

But despite the risks, the overall benefits of such changes in technology have more than offset the higher prices of production items. (10)

Outlook for Feed Grains Indicates Acreage and Supply Up This Year

With the plantings and carry-over that are now expected, and given favorable weather, the 1963-64 feed grain supply should be around 213 million tons, only slightly below the 1962-63 mark of 215 million.

On March 1, farmers reported they intended to plant a total of 128.5 million acres of corn, sorghums, oats and barley this spring, roughly 2.6 million more than in 1962. Of this total, 69.8 million acres will be planted to corn, close to 16 million to sorghums, 28.7 million to oats and around 14 million to barley.

With yields from feed grains in 1963 expected to be near the average of recent years and allowing for trend, combined output should total 151.6 million tons. Feed grain production was 143.1 million tons in 1962.

Disappearance during the 1962-63 marketing year is set at 154 million tons. As a result, carry-over of feed grains into 1963-64 is expected to total 61 million tons, 11 million tons less than in 1962-63. (11)

Machinery Causes More Fatalities Than Any Other Source of Injury

Farmers in one region seem more likely to have certain kinds of accidents than those in another, according to a study of fatal accidents on farmland (but not within farm homes) from 1949 to 1959.

In all U.S. farming regions, machinery caused more fatalities than any other source of injury. The Northern Plains, Lake and Corn Belt states had higher proportions of deaths from farm machinery than was the case in other regions.

In the Northern Plains, Pacific, Mountain, Delta, Appalachian, Southeast and Southern Plains states, drownings were the second largest category of fatalities. For the Southeast and Southern Plains

states there were almost as many drownings as machinery-caused deaths. Firearms ranked second as the cause of accidental death in the Corn Belt while falls were second in the Lake and Northeast regions.

Fatal accidents with firearms were in third place in the Northern Plains, Lake, Pacific, Mountain, Delta, Appalachian, Southeast and Southern Plains states. Falls were the third ranking cause of death in the Corn Belt and drownings were the No. 3 fatality in the Northeast. (12)

Output of Castorbeans Moving Up As Returns to Farmers Improve

Production of castorbeans is expanding again. About 23,500 acres were harvested in 1962. With yields of 1,434 pounds per acre, output was roughly 34 million pounds of beans (hulled basis).

In the late 1940s, farmers just about abandoned the crop. Price levels and low yields made production unprofitable. However, mechanization of production, improved castorbean varieties and extensive irrigation increased yields five-fold during the 1950s.

Producers in Texas accounted for three-fifths of total output in 1962, with the rest coming from Arizona, California, New Mexico, Kansas and Nebraska.

Although domestic castorbean production has fluctuated since the 1940s, industrial demand for castor oil has remained fairly steady. Since the mid-1950s, domestic consumption has held at an average annual rate of 130 million pounds.

Castor oil is used in everything from lubricants for jets to nylon bristles for brushes. The range of products using castor oil includes plastics, greases, hydraulic fluids, artificial leather, pharmaceuticals, cosmetics, soaps, printing inks, flexible coatings, explosives, fabrics, paints, lacquers and varnishes. (13)

Recent Drop in Fed Cattle Prices Largely Caused by Meat Supplies

Farmers have watched prices for fed cattle skid during most of the winter and early spring months from the peak levels of last summer and fall.

Prices recovered about \$1.25 per hundred from mid-March through the first week in April. However, increased supplies of fed beef are expected in May and June and it is doubtful this gain will hold through the period.

The November-March drop in prices was primarily in prices of fed steers. Price declines for competitive classes and grades, such as heifers and lower-grade steers, were less severe. Prices of slaughter cows and bulls, which do not compete with fed steers, increased slightly.

The answer to the "why" of the price break is supply. Between June and November 1962, the volume of steer beef produced was cut 22 per cent as feeders built up their inventories of cattle on feed. From November to February, the volume of fed steer beef produced jumped about 25 per cent.

Supplies of other red meats moved up during the period, too. For example, hog slaughter during February and March was about 7 per cent above a year ago. Increases in broiler slaughter over a year earlier were 14 per cent in December and 24 per cent in January.

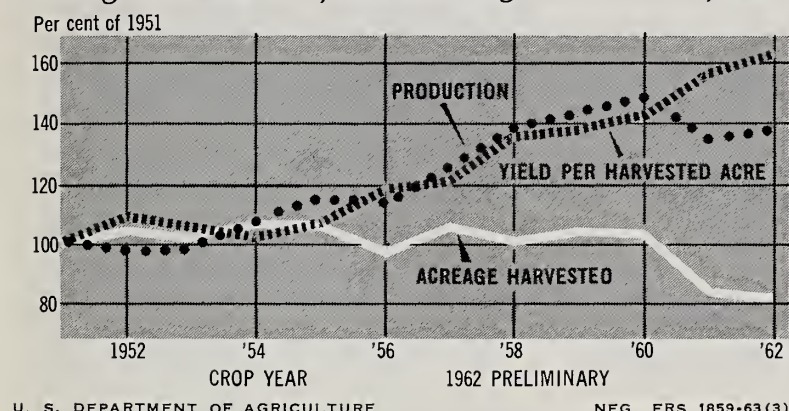
As usual, retail prices for beef didn't drop as fast as wholesale prices. Consumer demand for beef remained at a high level during the late fall, winter and early spring months.

At present, the outlook is for a seasonal decline in supplies of fed beef during the summer and fall. As a result, fed cattle prices should improve during the last half of the year.

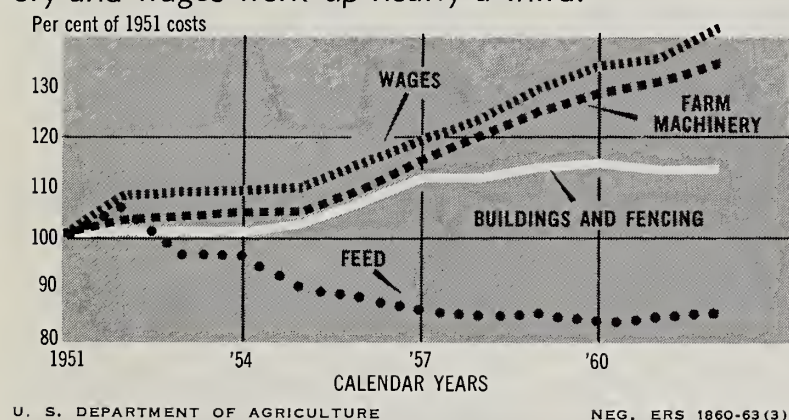
However, a too rapid increase in prices could set the stage for another break in the market next year. (14)

FEED GRAINS IN REVIEW

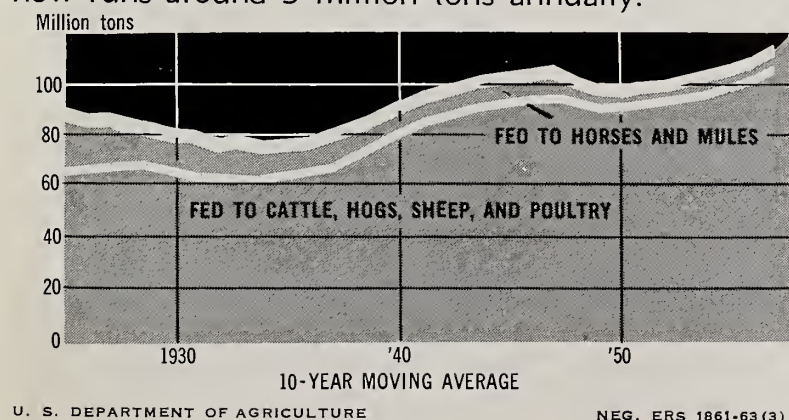
1 Sharply rising trend in yields per acre kept feed grain production rising from 1954 to 1960, though acreage changes were small. Lower acreage and output in 1961 and 1962 resulted from feed grain programs and more than offset the continuing increase in yields during those two years.



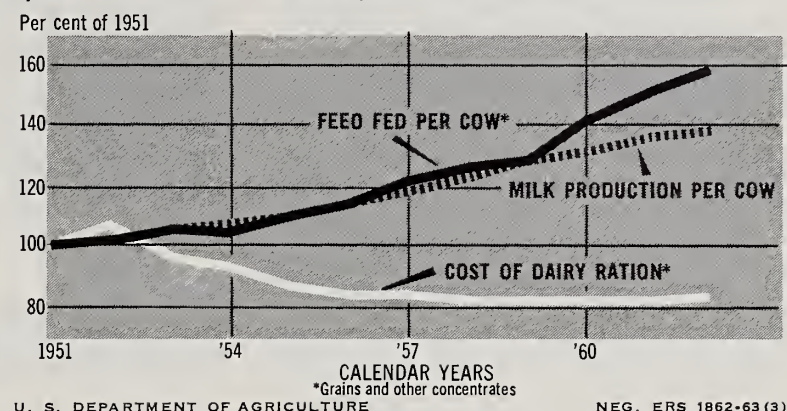
2 Plentiful supplies brought lower prices for feed at a time when costs of other livestock production items were rising. During 1958-61, prices farmers paid for feed were 15 to 20 per cent below 1951 levels. In comparison, prices of farm machinery and wages went up nearly a third.



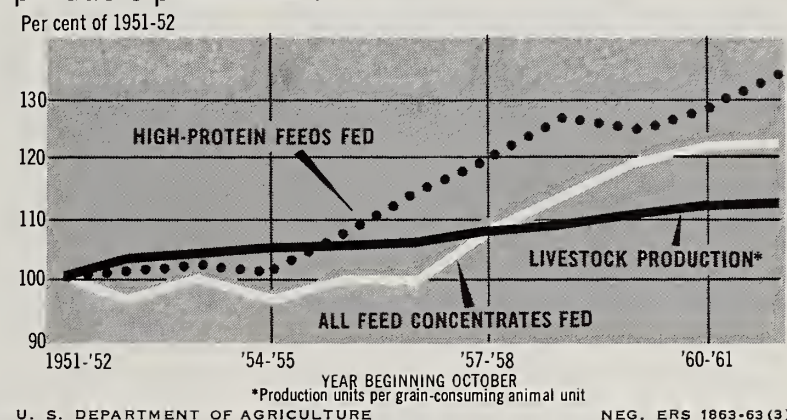
3 Total use of feed concentrates has risen along with the increasing requirements of our population for livestock products. Increased use of machine power reduced the use of feed for horses and mules from 1925 to 1955. The quantity fed now runs around 3 million tons annually.



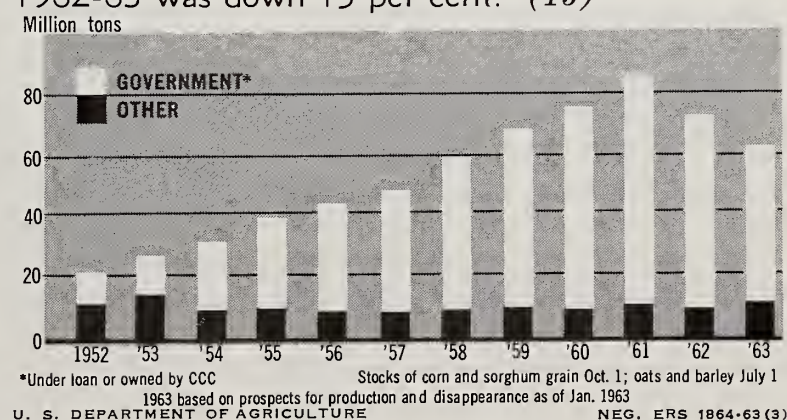
4 Emphasis on increased production per animal also has contributed to increased feed grain use. For example, milk production per cow has gone up nearly 40 per cent since 1951, but feed fed per cow has gone up even more because the larger quantities are necessary for higher output.



5 Most of the increase in use of feed grains resulted from heavier feeding per animal unit. The feeding rate of all concentrates went up a fourth from 1951-52 to 1961-62. This has been accompanied by a rising trend in output of livestock products per animal.



6 From 1952 until 1960, feed grain production rose faster than use. Heavy stocks built up, mostly in government hands. But in 1961 and 1962, the feed grain programs cut production below earlier levels. Use continued to rise. Carryover into 1962-63 was down 15 per cent. (15)



Large Farm and Investment Needed For Good Return to Rice Growers

How big does a rice-soybean farm have to be in order to make a net income of \$6,000? Or \$9,000? This was the question behind a recent analysis of costs and returns from typical rice-soybean operations in Arkansas.

The results indicated that a farm of 455 acres, including 333 acres of cropland, is necessary to return \$9,000 to the operator. The rice allotment on this farm is 83 acres with 250 acres of soybeans. Under conditions of normal rainfall and water supply, all of the rice and about half the soybeans are irrigated. The investment in farmland alone is \$72,800.

Labor-management returns of \$6,000 could be made from a rice-soybean farm containing 264 acres, with about 200 suitable for crops. Roughly 48 acres are planted to rice and 145 acres to soybeans. Capital invested in land averages about \$42,000. (16)

Higher Returns Make Up for Costs When Rice Is Water-Planted in La.

The most profitable way to plant rice on light-textured, reasonably well-drained soils, is in water, according to a recent study in Louisiana. Generally, water planting results in a better stand and fewer weeds when compared with drill planting. Although the total expense of production per acre of water-planted rice is higher, the increase in yield is more than enough to offset the additional cost.

The returns to labor, land and management for water planting were roughly \$102 per acre, while for drill planting they were only \$83.

In the Louisiana survey, water planting ran \$65 an acre for seed, fertilizer, chemicals, irrigation charges, machinery expenses and so forth. The bill for drill plant-

ing was nearly \$63.

The slight increase in costs for water planting was the result of all the seed and usually all the fertilizer being applied by airplanes which, of course, are more expensive to operate. Flooding the fields also makes irrigation costs higher.

Since seeding is by airplane in water planting, the cost of labor and farm machinery is less. Water planting takes only 8.2 man-hours per acre. Drill planting requires 10.3 hours of labor. (17)

Rice Consumption Up in 1962-63; Both Crop and Supply Were Large

When the marketing year for rice comes to a close on July 31, an estimated total of 61.1 million hundredweight (rough rice equivalent) will have been used in this country and exported. This compares with 57.5 million hundredweight of rice consumed here and exported in 1961-62.

When the current year began on August 1, 1962, the supply of rice totaled 70.1 million hundredweight, 12 per cent above a year earlier. The larger supply was the result of a record crop in 1962.

Rice production in 1962 was 64.5 million hundredweight (rough rice), 19 per cent above production in 1961. Record yields along with a 10 per cent increase in acreage over the previous year boosted the crop to a new peak, breaking the previous record of 64.2 million hundredweight in 1954. Average yield reached 3,652 pounds per acre, 230 pounds above the record of a year earlier.

In contrast to production, the carryover of rice last August 1 of 5.3 million hundredweight, was only about half that of August 1961 and the smallest carryover in nine years. Continued heavy exports in 1961-62 were responsible for most of the reduction in stocks.

While rice exports of 29.2 million hundredweight during the

last marketing year were high in comparison with most previous years, they were slightly below shipments in 1960-61 and well below the record 37.5 million exported in 1956-57. From August 1, 1962, to July 31, 1963, exports of rice probably will tally up to about 32 million hundredweight, a 10 per cent increase over 1961-62.

Domestic use of rice was up just a little in 1961-62, by a million hundredweight. This year, it is expected to move up another million and total 29.1 million hundredweight. Food use should increase slightly from 21.1 million hundredweight in 1961-62 to 21.5 million this year. Both brewers' use of about 5 million hundredweight and disappearance as seed and feed of 2.6 million are expected to change little.

When the domestic use and export estimates are combined and deducted from the supply, around 9 million hundredweight remains to be carried over on August 1, 1963, up substantially from the 1962 figure. (18)

Water Supply and Machinery Costs Worry Rice Farmers in Arkansas

Water and capital are the two major problems, present and future, of farmers who grow rice and soybeans in Arkansas' Grand Prairie.

So far, water supplies in the area as a whole haven't been critical, thanks to favorable weather and rainfall. Specialists figure existing water in the Grand Prairie is adequate under normal conditions to irrigate a total of 125,000 acres of rice. However, rice allotments are near 170,000 acres at present. Consequently, the water table has declined an average of about a foot annually for the past several years.

Machinery costs have kept capital requirements on the upswing for these farmers. In 1940, Arkansas rice farms operated by a farmer and a full-time worker re-

quired an average investment in equipment of \$5,000. By 1960, the operator was doing nearly all the work himself and cultivating half again as much land as he did 20 years earlier. His investment in machinery had reached \$30,000.

Despite their problems, rice producers in the Grand Prairie area do have some advantages over farmers in other rice-producing sections.

More of the Arkansas farmers own their land than do producers in other parts of the country. Consequently, they have, as a group, more control over allocation of the water supplies so important in rice production. In much of the Texas and Louisiana rice areas, for example, a greater percentage of non-farmers owns the land and decides who uses the water.

Also, Arkansas cropland is more adaptable to other crops if the farmer chooses to quit planting rice. Texas and Louisiana rice producers generally have only one other alternative use for their land—beef cattle production. (19)

First Quarter Prices for Broilers Are Down a Cent from Year Ago

During the first quarter of 1963, farm prices for broilers averaged 15.3 cents a pound, compared with 16.3 cents in the same months a year earlier. Through March 20, federally inspected slaughter of young chickens (liveweight) was 16 per cent above the same period a year earlier.

However, the lower farm price in combination with higher production expenses slowed the usual seasonal rise in broiler production. In the third week in March, federally inspected slaughter was 1 per cent below the same week in 1962. Increases in slaughter from a year ago were 24 per cent in January and 10 per cent in February.

Farmers' production expenses in January-March were higher than a year ago. The value of

poultry ration averaged \$3.53 per hundred pounds, up 15 cents from the 1962 level, and an average of 10.9 cents apiece was paid for broiler chicks, a cent more than in the first quarter of 1962.

With the prospects for production close to year-earlier levels, prices for the second quarter this year are expected to be higher than in 1962.

Improved second quarter broiler prices may encourage production to expand in the final six months of 1963. (20)

Eggs Per Bird Continue to Rise But Output Is Harder to Surpass

U.S. hens are still working hard to improve their production records, but they aren't making as much progress as they used to.

From 1940 to 1950, the number of eggs produced per layer advanced a little less than 3 per cent each year. Increases in the rate of lay resulted from improvements in breeding, disease control, nutrition and management of flocks.

However, since 1951 the annual step-up in eggs per hen has averaged less than 2 per cent. And, in the last five years, any improvement has taken place within the last half of the year. The nation's laying flock isn't through improving its output, though.

Although severe weather cut gains in eggs per bird early this year, the rate of lay is likely to climb again in the final six months. This is expected for two main reasons. Most of the gain in output per hen usually occurs after mid-year, and there will be a shift from an older to a younger laying flock in 1963. Pullets lay as much as a fifth more eggs in a year than do the older hens.

The rapid shift in production from the Midwest to the South and West will also help boost eggs per layer. Western hens lead in individual output and the southern birds have been showing the most improvement. (21)

Farm Price for Eggs Rises in '62 Despite End-of-Year's High Output

Ordinarily, increased production results in a lower price for a commodity, but during the final months of 1962, egg producers were the exception to the rule.

Despite somewhat higher production, egg prices to farmers averaged 36.4 cents a dozen from September through December, compared with 35.9 cents a year earlier.

Higher prices in September through December may reflect rapid changes in marketing. In the last year, egg production declined more than usual in the Midwest—nearly all the cutback in flock replacements during 1962 was in these states. The South and Pacific Coast area stepped up production.

The changes in production areas place output a little closer to metropolitan centers where the eggs are sold. But more important, these changes mean egg production is rapidly moving into large-scale enterprises while the number of small flocks dwindles.

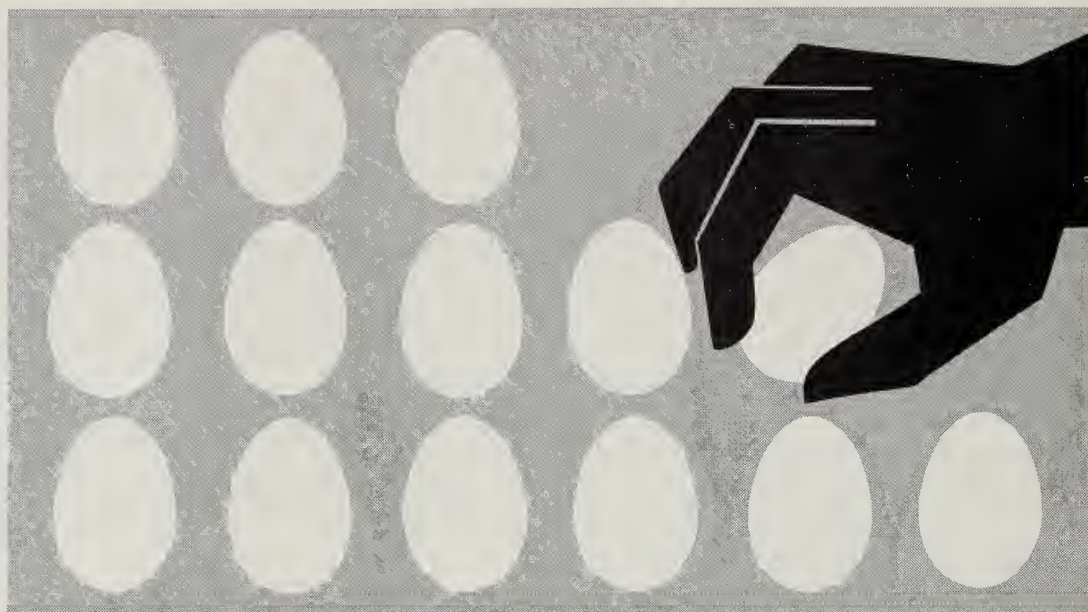
The large-scale producers usually are able to get higher prices for their output. The size of operation allows savings in assembling, grading, cartoning and distribution.

Because the price of eggs to the producer is close to being the retail price minus the marketing margin in the short run, rapid declines in marketing costs wind up largely in the producers' pockets.

A check of marketing margins from September through December shows they averaged 17.9 cents a dozen, 0.9 cent lower than in the same period of 1961.

From 1950 through 1960 marketing margins varied little. The range was between 17.6 and 20.4 cents for the period with no definite trend exhibited. Although marketing was becoming more efficient, it apparently didn't offset the rising marketing costs. (22)

EGG HANDLING EFFICIENCY IN THE SOUTH



More eggs going through an assembly plant, lower unit costs. That's the general rule.

A recent study of 12 egg marketing firms in the South shows that the three biggest plants held total operating costs to \$1.91 per case of cartoned eggs (30 dozen). Operating costs for the five smallest firms were \$2.30 per case.

But when the groups are taken apart, mere size turns out to be no certain guarantee of efficiency.

Take labor costs for example. Next to the cost of packaging materials, they are the biggest single operating expense on the list. Unlike per case packaging costs, which tend to be a fixed item no matter what the volume,

the cost of labor can be cut by more efficient methods.

Group by group, the big firms have the lowest labor costs, and vice versa.

The smallest companies in the sample, with an annual volume of 8,000 to 26,000 cases a year, reported in-plant labor costs at an average of 48 cents per case. For the medium group—26,000 to 52,000 cases—the figure was 44 cents. And for the largest companies—52,000 to 170,000 cases—in-plant labor costs per case ran about 36 cents.

Thus, efficiency is associated with size—but only on the average.

Three of the biggest companies had labor costs of over 41 cents

a case, a figure bettered by two of the firms at the bottom of the volume scale.

By and large, productivity had more effect on unit labor costs than did wage rates. It was also true that plants paying higher wages tended to have better levels of productivity.

Firms that paid \$1.00 an hour or less for in-plant labor had an average rate of output of about two cases per man hour. Their labor costs ranged between 40 and 50 cents per case.

At the other end of the scale were the plants that paid \$1.30 an hour and counted four cases per man hour. Their labor costs were 33 cents a case. (23)

Improving the Egg Pricing System

When a cross-section of the egg industry was asked for comments on present base-pricing systems, the reaction, in general, was to go along with present practices. Not out of enthusiasm for current methods, but from a lack of any obvious alternatives.

However, the cross-country check of producers and marketers did inspire a number of suggested improvements for current base-pricing systems. Some of them are:

—Broaden the trading base by encouraging more people to trade on the spot call.

—Enlarge the trading area by permitting deliveries at various designated points, and by permitting use of a 10-day option.

—Increase the size of trading units to 100-case lots or to truckload lots of 600 cases.

—Lengthen the trading period.

—Establish a 90 per cent grade A quotation in line with the needs of big retailers for cartoned eggs.

—Give more emphasis in reports to street trading between dealers, to supply and demand forces beyond the immediate market area, and

Research Shows Feed Grain Manufacturers Increase Profit If Livestock Production Contracts Are Small and Informal

Many manufacturers in the Midwest who sell feed under livestock production contracts are finding these programs increasingly unprofitable, especially when they operate on a large scale.

According to research in Iowa and surrounding states, the manufacturers stand a better chance of making a profit if they keep their programs small, with little control of farmers' production operations.

A study made in 1959 and 1960 covered financing and contract programs of 24 manufacturers and included contracts for cattle, hogs, turkeys, and pullets. Some 48 contract programs were studied.

The researchers rated the degree of contract control on a scale of one to five, from the simplest and most informal to the most comprehensive program for livestock producers.

In a Class I arrangement, the farmer agrees to use the company brand of feed in return for credit on feed.

At the next degree of integration, Class II, the feed company offers some supervision of the farmer's livestock operation as well as credit. In return the

farmer uses a specified feed and follows a given feeding program.

At the third level of integration the farmer has to meet minimum production, feeding, and management standards set by the manufacturer.

At the Class IV level of integration, the feed company not only spells out the management and feed program, but specifies the source or type of breeder or feeder stock. Integration at this level usually provides credit for some production capital as well as feed.

At the far extreme of integration, Class V, the feed company assumes some of the production

and price risks.

Contract programs at the simplest level of integration generally were the most profitable for the manufacturer. Class I programs produced an average gain of \$1.51 per ton of feed when compared with ordinary feed sales. By contrast, at the other end of the scale, the highly integrated Class V programs produced average losses to manufacturers of \$3.22 per ton of feed.

But despite the averages, individual manufacturers turned contract programs to profit at every level of integration. Some 10 of the 48 programs studied showed direct in-pocket gains of over \$2.00 per ton; five of these programs were in Class I, two in Class II, one in Class III, and two in Class V. (25)

CREDIT TO POULTRYMEN STIMULATES EXPANDING INDUSTRY

Chicken feed, that synonym for petty cash expense, is anything but a petty item to the poultry industry. It accounts for more than 65 per cent of all production costs of the poultryman.

This fact, plus the possibilities of savings on operating costs and the creation of regular outlets for inputs and regular supplies for processing, got integration going in the broiler industry.

The poultryman had a rapidly

expanding market for the taking. But the taking called for cash to modernize and expand.

The solution to his financial needs came, in large part, from the feed suppliers.

It was not a very long step from loans to contracting, and from contracting to more supervision. Despite the excellent potential of the broiler market, risks for even short-term loans were high. And quality was not uniform without closer inspection.

The producer, meanwhile, had cut down on his own investment risk and at the same time freed capital to expand. Through supplier contracts, he got the short-term capital which traditional lending agencies have never been eager to supply. Despite their declining returns most producers have accepted contract growing as a necessary part of doing business in today's industry structure.

The broiler industry would not have developed as rapidly or in the same form without the influence of substantial external credit. (26)

to the short-run trends within regions.

—Put limits on price changes of, say, two times a week, and 2 cents a day.

—Encourage greater use of averages, rather than ranges, in base prices.

—Set up reporting services in more areas.

—Increase the number and scope of reports, and improve their quality.

Variations on base-pricing

proposed by some members of the trade include: five-day averages; getting away from the wholesale prices for the base; using USDA's market news reports for a base; developing regional base prices.

Some of the alternative pricing methods are: completely decentralized pricing, negotiated at widely scattered points; pricing by committees, again on a regional basis; administered prices. (24)

Edible Tallow Production Climbed Sharply During Past Decade; More Than 338 Million Pounds Went into Shortening in 1962

The production of edible tallow has more than quadrupled in the past decade. In 1952, some 94 million pounds of edible tallow were produced in the U.S. Last year the total was 430 million pounds.

Food products are the biggest outlet for edible tallow, with shortening leading the list. Some 338 million pounds of edible tallow went into shortening in 1962, compared with 25 million in 1952.

Most of the production increase is the result of strong domestic demand and the resulting higher prices. Chances are the production trend will continue.

Edible tallow is in direct competition with lard for use in food products. And, until recently, the price of lard averaged higher than edible tallow. From 1955 on, however, the price spread narrowed each year until 1959 when both products sold at an average of 7.9 cents per pound. Since that time, the prices of edible tallow have remained about the same as lard. In 1962, lard averaged 8.7 cents a pound; edible tallow, 8.8 cents.

Until recently, almost all edible tallow was rendered exclusively

by large packers from killing and cutting fats under Federal inspection. There was little incentive, in the way of higher prices for edible tallow, for small packers, wholesalers or retailers to separate fats under the required inspection.

But when the price of edible tallow got to 10.2 cents a pound, as it did last fall, the incentive had arrived.

The higher prices and the upward push of production of edible tallow are due, in part, to the

existence of a few large firms that specialize in rendering edible tallow. For one thing they can afford to pay more for the federally inspected fat when it is destined for food products; for another, their large scale operations help to reduce processing costs.

The supply of raw material for edible tallow is somewhat limited and more so than the supply available for inedible tallow production. Total beef fat depends on the cattle slaughter. And the raw fat must be federally inspected.

However, suet fat may give a 75 per cent yield of tallow, compared with 10 to 50 per cent from other materials. (27)

FRUIT, VEGETABLE WHOLESALERS ARE SHORT-LIVED FIRMS

A produce business is a frequently short-lived enterprise, according to the latest in a nationwide series of studies of the wholesale market for fruits and vegetables.

The report, covering the Miami and the Tampa-St. Petersburg wholesale markets, sets the scene with some broad and apparently tranquil figures.

For example, in 1948 a leading trade directory listed 67 wholesalers in the Miami area; 80 in 1958. In the same period, the number of wholesale handlers rose from 41 to 60, importers and exporters added one firm for a total of 12, while brokers and agencies dropped from 15 firms to eight.

There were three chains in both years, but the number of wholesale grocers dropped from three to one.

Only seven of the 84 wholesalers, wholesale grocers, and chains listed in 1958 had been on the business rolls in 1948 and 1939.

In 1939, there were 71 firms; more than half of them had vanished 10 years later. Only seven made it through the next decade.

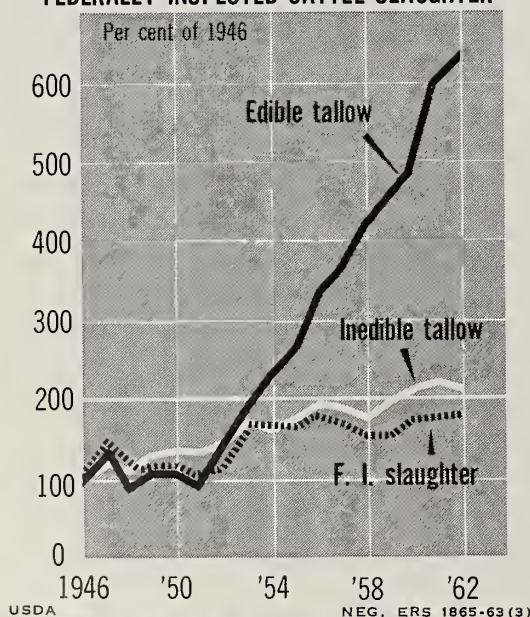
But the birth and death of these firms tell only part of the story.

Ownership and management listings for the companies appear and disappear just about as fast.

Owners sell out to junior members of the firm or to employees of other firms who want to set up their own shops.

The reason for this whirling turn-over is that it is relatively easy to enter the wholesale produce business. It doesn't take much capital. The buildings and equipment needed can be rented, leased or purchased on time. (28)

EDIBLE & INEDIBLE TALLOW PRODUCTION & FEDERALLY INSPECTED CATTLE SLAUGHTER



Mutual Benefit

Food stamps continue to increase retail sales of farm foods, according to a second go-around of testing by ERS. At the same time the stamps help improve the diets of needy families.

When studied in April-May last year, nearly a year after the program was initiated, it appeared to be just as effective as it was during earlier tests. Sales volume in retail food stores averaged 7 per cent higher after coupons were introduced.

As a result of the success shown in the early pilot programs in eight areas, the plan has been expanded and the program offered to 45 counties and three cities in 23 states. (29)



THE FIVE BILLION DOLLAR MARKET

High yields at home, prosperity abroad, and a world-wide campaign to sell our farm products increased our foreign trade 50 per cent in the 1950s

Growing prosperity and lower trade barriers abroad. High quality U.S. farm products offered at relatively low prices. Our agreement to take foreign currency in payment for agricultural exports. Vigorous market promotion overseas. Stepped up food aid to needy nations.

These are just some of the reasons U.S. agricultural exports have climbed in the last decade. By calendar 1962 our farm exports of \$5-billion-plus were 55 per cent above the 1950-54 average.

Tracing our farm exports through the 1950s, ERS economists cite 1950-54 as the period in which most war-damaged areas, particularly Western Europe and Japan, had recovered enough to resume a healthy rate of economic growth. Although still curtailing sales of some U.S. commodities, dollar shortages in many countries eased considerably during this period; trade and foreign exchange controls became less of a problem to U.S. exporters.

The U.S. government helped, too. Sales for foreign currencies to dollar-short countries were launched under the Mutual Security Act of 1951. The Commodity

Credit Corporation began to sell more of its stocks at competitive world prices. The first step, in December 1953, was to sell wheat outside the International Wheat Agreement, but at IWA prices.

With our own foreign gold and dollar reserves higher, we took steps to get other countries to dismantle foreign trade and exchange restrictions that had hampered our export trade.

Between 1955 and 1961, U.S. farm exports were in part stimulated by record high gold and dollar holdings of many U.S. trading partners. Dollar sales to Eu-

rope, our chief market, increased 16 per cent during this period.

Much of this increase in dollar sales was in the six-member European Common Market. The Market accounted for nearly one-third of all dollar sales of U.S. farm products abroad in 1961 and took about as much in 1962. Total agricultural exports to the Community in 1962 came to \$1,157 million, up \$300 million from 1950-54.

While some 125 countries take U.S. farm exports, over three-fourths go to just 20 countries. (30)

1950s SAW STEADY GAIN IN U.S. FARM EXPORTS

Importers	Average 1950-54	Average 1955-59	1960	1961
Thousand dollars				
Canada	270,639	341,308	432,297	490,708
Latin America	477,669	513,546	482,638	490,856
Europe (including Soviet bloc)	1,580,068	1,957,713	2,212,711	2,300,892
Asia	817,677	975,162	1,461,210	1,430,880
Africa	69,502	103,410	193,510	280,723
Oceania	30,372	41,435	41,799	35,625
TOTAL	3,245,947	3,932,614	4,824,187	5,029,732

Southern Farmers May Have Fewer Problems With the EEC Than Producers in the Other Regions of the United States

Southern farmers, despite many problems, may have somewhat less trouble with the European Economic Community's agricultural policy than producers in the rest of the country.

In 1961 exports from southern farms amounted to about 40 per cent of the \$1.2 billion in agricultural shipments to the six-nation EEC.

Cotton, for instance, enjoys a duty-free status in all Common Market countries except Italy. And Italy is in the process of renouncing their 6 per cent levy by stages.

Fiber consumption in the Market is expected to expand some 35 to 40 per cent by 1970 and cotton should share in this increase. The clouds in this bright long-term future include the possibility of

wider acceptance of synthetics in Market countries and more imports from low-wage nations that fabricate cotton textiles.

American tobacco now has about 25 per cent of the EEC market. Recent increases of 50 per cent in the duty on tobacco will make it harder to maintain exports. But this restriction may be more favorably adjusted at the next go-round of negotiations with the Market.

Rice is another commodity for which much depends on negotiations. European rice, mostly the short-grain variety, is produced by France and Italy, who would like high variable levies on imports. But the other four countries favor long-grain rice; they are interested in lower levels of protection.

The current EEC protective structure on fruits and vegetables is extremely complex. But total consumption of fruits and vegetables is expected to expand 50 per cent by 1970. More than 50 per cent of all the citrus juices, canned deciduous fruits, canned asparagus, and dried prunes are imported from the United States. And a considerable share of the imports of grapefruit, canned pineapple, raisins, and dried apricots are supplied by the U.S. (31)

The Six Member Countries of EEC Are a Prime Outlet for U.S. Goods

The Common Market, the European Economic Community, the EEC, or simply The Six—they are all names for a market that was worth \$1.2 billion to U.S. farm exports in 1962. That's the key measure of the EEC's importance. Here are some of the background facts on the EEC:

Membership—Six countries, including France, West Germany, Italy, the Netherlands, Belgium and Luxembourg. The only associate member so far is Greece. Four countries have applied for full membership. They are the United Kingdom, Norway, Denmark and Ireland. (See the Farm INDEX, November 1962, for a complete list of members and applicants.)

Population—The Six plus Greece have a total population of 180 million people, roughly the total for the United States.

If the Common Market expands by the addition of new members and associates in Europe, the population could total 320 million. Adding the populations of current and prospective overseas associates would put the total over 485 million people.

History—The Marshall Plan, the Organization for European Economic Cooperation, the Benelux Customs Union, the North Atlantic Treaty and the European Coal and Steel Community all led

FOOD AND SHELTER: It takes over half the labor force to provide the food and forest products for five selected countries in the underdeveloped world. Among industrial countries, the scale slides rapidly to a low of 11 per cent in West Germany and 10 per cent in the United States. (32)

Country	Year	Male labor force in selected developed and underdeveloped countries		
		Total	Agriculture, forestry and fishing	Agriculture as per cent of total
		Thousands	Thousands	Per cent
Philippines	1959	6,364	4,347	68
Equador	1961	1,252	778	62
Iran	1956	5,491	3,187	58
Mexico, men and women	1958	10,467	6,050	58
Federation of Malaya	1957	1,635	843	52
U.S.S.R., men and women	1959	106,400	48,300	45
Hungary	1960	3,164	1,177	37
Japan	1959	26,660	8,660	32
Puerto Rico	1961	473	148	31
Italy	1960	15,551	4,490	29
France	1957	12,986	3,272	25
Israel	1960	547	98	18
Canada	1961	4,678	734	16
West Germany	1959	15,945	1,733	11
United States	1961	44,318	4,508	10

up to the European Economic Community. In 1957 the Rome Treaty laid the foundations for the EEC; the treaty and the Common Market went into effect on January 1, 1958.

Agricultural policy—The Council of Ministers of the EEC “approved the essentials of the first common agricultural policy for Europe on January 14, 1962. It will take eight years from that date to put the policy completely into effect.

Land use—In 1960 there were nearly 196 million acres of farmland in the six countries.

Technical development — By 1959, member countries had almost 1.8 million tractors, compared with about 400,000 tractors in 1951.

As early as 1951-52, the Six were applying commercial fertilizers at an average rate well above prewar levels. By 1960-61 members increased use of nitrogen 75 per cent, phosphoric acid, 55 per cent, and potash, 49 per cent.

Crop production—France produces about 45 per cent of the Community’s annual wheat production of about 900 million bushels. West Germany is the main source of rye within the Market.

Annual production of feed grains for the group is about 24 million tons.

Italy is the big rice producer in the area. The Italian crop, mainly the round grain variety, is not at present generally acceptable to other members of the Community.

Livestock production—The Six have stepped up meat production in the past 10 years. From 1951 to 1961, member nations increased their output of beef and veal 63 per cent; mutton, lamb and goat meat, 15 per cent; pork, 44 per cent. Output of milk, cheese, butter and other principal animal products has shown a similar upswing.

Food consumption—Most of the people are getting enough to eat and have a large variety of foods

to choose from. Wheat is the most important single food in Market countries, providing 32 per cent of the average daily per capita supply of calories, according to 1957-58 figures.

The Italian ate more grain, fruit and vegetables on the average than his partners in the Market. The Frenchman had the lead in the consumption of animal products. The German and the Netherlander took the biggest portion of fats and oils. (33)

Coffee and Cotton Help El Salvador Maintain Its Rate of Farm Output

Agricultural production in El Salvador, the smallest, most densely populated of the Central American republics, is staying ahead of population growth, but only with the help of the coffee and cotton crops.

When the production of food crops alone is measured, per capita output is badly lagging.

Daily per capita food consumption, estimated at 1,975 calories, is seriously below minimum nutritional standards. The national diet is also short on protein and fat.

The government of El Salvador is working to strengthen the economy by increasing food production and de-emphasizing the importance of coffee in foreign trade.

Much has already been accomplished to increase agricultural yields. Since 1958 annual imports of chemical fertilizer have increased by 21,000 tons to 84,667 tons in 1961. But much still remains to be done if agricultural output is going to match population growth. Among other improvements, the farmers need to make better use of soil conservation practices to slow down the heavy inroads of erosion.

Further industrialization could help bolster the nation’s finances. With raw materials easily available from neighboring countries, and with the best highway system

in Central America, El Salvador is in a good position to strengthen the industrial sector of its economy.

The push toward industrialization could create a growing market for agricultural imports. And industrial progress would tend to improve the nation’s purchasing power, making it possible to increase its imports.

El Salvador’s main agricultural imports are dairy products, wheat and other grains including beans, and live animals. One-third of their imports generally come from the United States. Wheat imports from the U.S. more than doubled between 1960 and 1961, going from \$0.7 million to \$1.5 million for the year.

Increased emphasis on the livestock and dairy industries in El Salvador will add to the demand for purebred stock from the United States. (34)

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Exotic Economics

To gauge more accurately the market potential for its farm products in developing countries, the U.S. needs better figures on local production and use of agricultural commodities.

For the needed statistics, the Economic Research Service is arranging with research groups such as land-grant colleges to conduct food balance studies in the following Latin American countries: Honduras, Costa Rica, El Salvador, Guatemala, Nicaragua, Panama, Peru and Brazil. In Africa, studies will be made in Sierra Leone, Liberia, the Ivory Coast and Egypt; in the Far East, studies will be made in Burma and Thailand.

Study leaders, working with researchers in the various countries, will compile data which already exist but have not been published or do not appear in national or international reports.

After evaluating the data, the study groups will appraise the possible market in the next several years for U.S. farm products in these countries. (35)

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U.S. Farm Imports in 1962 Were 5 Per Cent Above 1961 When Our Purchases from Abroad Sank to 12-Year Low

The United States bought 5 per cent more farm products by value from other countries in 1962 than in 1961. Purchases totaled \$3,875 million, compared with the previous year's \$3,690 million, which was the smallest in value in 12 years.

The entire increase of \$185 million was in imports that are partly competitive with such U.S. farm items as animal products, cattle and apparel wool. This class accounts for over half of agricultural imports.

Imports of non-competitive products declined for the third straight year. This decline reflected lower prices as production increased in exporting countries. However, lower values for cocoa beans and carpet wool were somewhat offset by higher values for coffee, rubber and tea.

Spurred by U.S. demand for such manufactured meat products as hamburgers, hot dogs and

luncheon meats, plus the relatively low level of U.S. cow slaughter, beef imports in 1962, mainly low-grade boneless beef, set a new record. They amounted to 948 million pounds, up sharply from 665 million in 1961. Australia and New Zealand remained our top suppliers although other areas, notably Central America, shipped more meat to the U.S.

Imports of dutiable cattle in 1962 were 1,232,000 head, some 200,000 above 1961. Mexico supplied 60 per cent of all imports; Canada the rest. U.S. cattlemen found it profitable to import feeders and stockers and convert relatively cheap U.S. feed into meat.

Imports of wool for clothing were up for the second year in a row as wool textiles regained some of the ground lost to man-made fibers during the 1950s. Australia, New Zealand and the Republic of South Africa are our chief sources of imported wool. (36)

SOYBEAN OIL TO HEAD INCREASED SHIPMENTS OF U.S. OILS

More U.S. edible vegetable oils are going abroad. About 2.1 billion pounds probably will be shipped out by next September 30, the end of the 1962-63 marketing year. During 1961-62, exports of edible vegetable oils amounted to 1.8 billion pounds. Most of the increase this year will be in soybean oil, with little change in shipments of cottonseed oil.

The Food for Peace program (all Titles of P.L. 480) is behind most of the increase for 1962-63. About 1.2 billion pounds of edible oils will move under these programs, with the rest sold for dollars. P.L. 480 shipments in 1961-62 totaled 1 billion pounds. Most of the program oil will be sold for foreign currency (Title I) to countries such as Pakistan, Tur-

key, Egypt, Israel, Morocco and Tunisia.

Of the 2.1 billion pound total for 1962-63 exports, soybean oil will probably hit a record 1.6 billion pounds, a fourth more than last year. Cottonseed oil shipments, forecast at 475 million pounds, are about the same as in 1961-62.

In addition to the expanded Food for Peace program, our exports have increased because of much smaller olive crops in Mediterranean countries, relatively smaller exports of copra and coconut oil recently, and reduced exports of oilseeds from Red China. Continued growth of population and stronger economies in buyer nations also helped create demand for U.S. edible oils. (37)

Production of Meat in the U.S.S.R. Still Trailing Behind Official Plans

"... If we do not increase food production . . . serious harm will be inflicted . . . on the building of communism."

—Nikita Khrushchev, March, 1962; Speech before Plenum of the Central Committee, USSR—

Khrushchev is learning that you can't run a farm by communist fiat.

Back in 1957, when his economists cautioned that per capita meat production in the U.S.S.R. couldn't match U.S. output until 1975, Khrushchev overrode their estimates. He pushed the date to 1960, and tried to force an increase to fit his timetable.

But, 1961 arrived and Soviet meat production still lagged more than one half behind the U.S.—70 pounds per person to 190 pounds in this country. In March 1962 the Kremlin returned to the 1968-70 period for catching up with U.S. per capita production in 1961.

Island in the Sand

Gezira, Sikaye.

Both words are Arabic. The first means island. In the Sudan the Gezira used to be a vast soil-rich but water-poor plain south of Khartoum. Sikaye means irrigation, and with it the Gezira has become the world's major cotton producing area.

Late in 1961 Sudan finished the fourth and final section of the Managil Extension, part of the overall Gezira scheme. It opens another 832,000 acres to irrigated cultivation, providing a livelihood for 53,000 farmers. Close to 40 per cent of the Gezira's 5 million acres are now suitable for farming.

With the new acreage planted, Sudan's production of long staple cotton may well go up 5 per cent this year alone. Output of other crops grown in rotation with cotton should also expand. (38)

Production isn't their only problem. They are having trouble getting the quality and kinds of meat they want.

For instance, the weekly meat supply for each Russian is a half-pound of beef, another half-pound or so of pork and, if lucky, an additional half-pound of chicken once a month. At the same time, the American's meat supply amounts to nearly two pounds of beef a week, one and a quarter pounds of pork and nearly a pound of chicken to finish up with every Sunday.

Russians do have larger per capita supplies of goat meat, mutton and lamb than Americans, but they aren't enough to make up the difference.

Meat production in Russia, never very high, has increased little since pre-revolutionary days.

It took Russia nearly 40 years—from 1914 to 1952—to produce consistently more meat than the meager 1913 production level of 5 million tons, and in 1952 there were about 40 million more Russians than in 1913 to share that ration. In the past 10 years they have been able to increase their meat production by more than one-half.

However, nearly half of all meat production still comes from private farm plots, not from the collective and state farms. One reason for the poor record is the lack of incentives for the collectives.

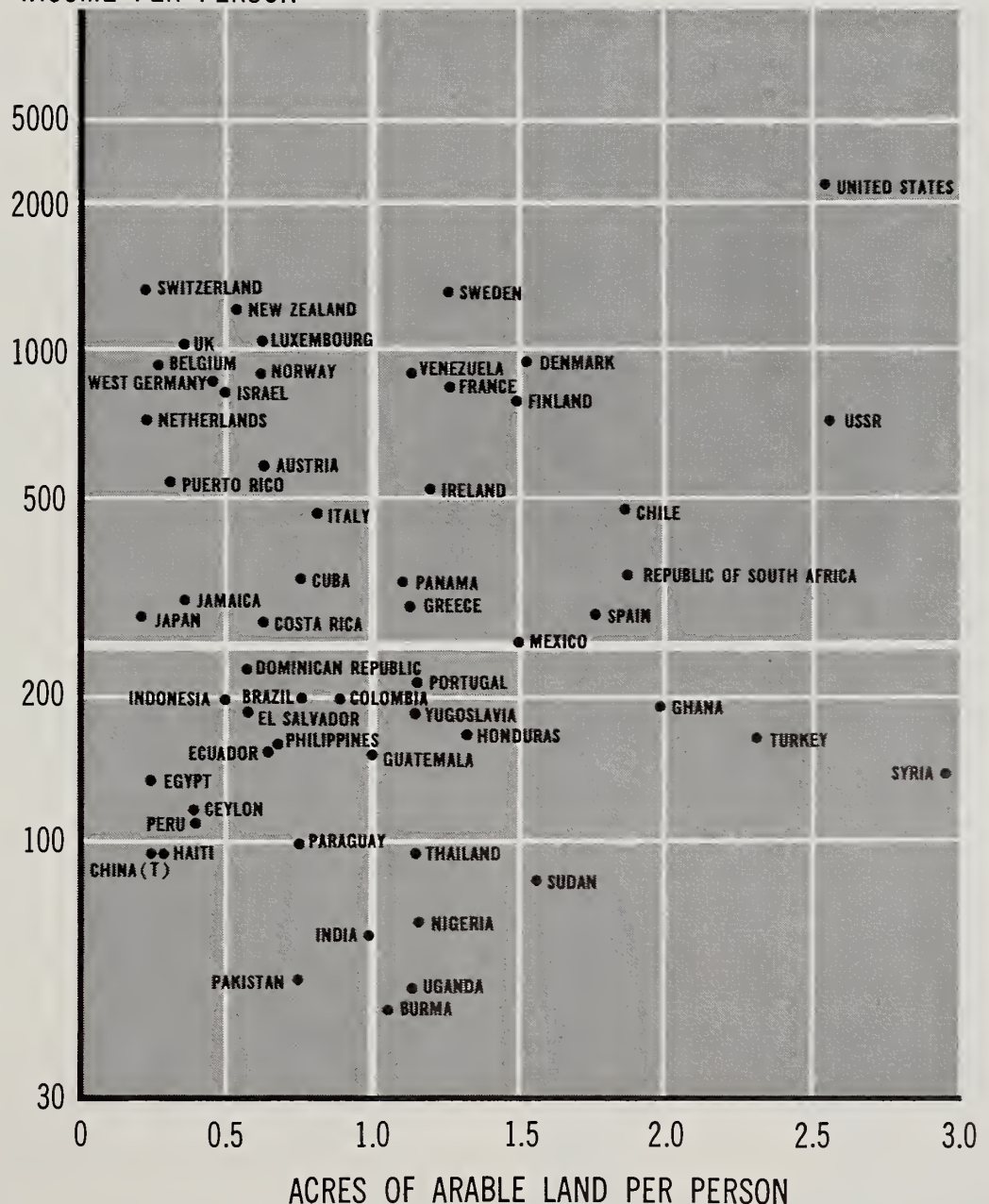
For instance, in 1961, according to Soviet official statements, the price paid by the state for beef was only 67 per cent of the collective farm's cost of producing the beef. The same is true of pork for which the state paid a price which was only 69 per cent of the cost of production. Poultry was purchased by the state at only 61 per cent of its production cost.

"It is clear," as Khrushchev himself said, "that with such conditions the kolkhoz (collective farm) has no material incentive to increase production." (39)



OVERCROWDED OR UNDERDEVELOPED? Many crowded countries are also high-income countries, a fact which should be encouraging to the crowded and developing nations of the world. Having plenty of land, however, does not in itself assure high incomes. As the chart suggests, there is no direct connection between the amount of land a country has and its economic potential. (40)

INCOME PER PERSON*



*1959 United States Dollars

U. S. DEPARTMENT OF AGRICULTURE

NEG. ERS 1866-63 (3)



Freeze-Dried Chicken Tastes Good In Soups, Salads and Even Stews

The best possibility for freeze-dried chicken, according to recent tests of the new food process, is in various soups.

Soups made with freeze-dried chicken received high scores relative to the canned soups with which they were compared. The comparison was made during a taste test conducted by USDA personnel.

Chicken noodle soup made with the freeze-dried chicken got an even better score than the canned soup with which it was compared.

Other chicken products that tasted good to the panel were creamed chicken, chicken salad, chicken stew, and chicken and rice dinner.

Most of the freeze-dried poultry products tested were about the same quality or only slightly inferior to the comparison foods.

Each of the dishes with freeze-dried chicken was compared with a similar canned or frozen product.

The dishes were rated on a scale of acceptance that ranged from "very good" to "very poor." None of the freeze-dried chicken dishes received an unacceptable rating from panel members. (41)

The President's Consumer Council Gives the Nation Stronger Voice

The President's year-old Consumer Advisory Council has announced a program to give the entire nation a more forceful voice in government. The main points of emphasis are:

- Consumer standards, including grades, labels, and quality designations for various products.
- An improved flow of information between government and the general public.
- Better representation of consumer interests in government.
- The use of consumer credit

Chicken for Children

USDA purchases of cut-up chicken for the School Lunch program totaled 60 million pounds in 1962—15 million more than a year earlier. The bill for the chicken came to \$18 million, compared with nearly \$13.5 million in 1961.

There will be a lot of turkey on the children's plates, too. During 1962, 43 million pounds of it were purchased—all for school lunches.

Cost of the turkeys was \$14 million last year, compared with \$17 million in 1961. Purchased mostly in the fourth quarter, the 43 million pounds were the equivalent of 6 per cent of production in that period. (43)

and its effect on the family and the nation.

- The administration, enforcement and scope of consumer protection by the government.

- The process of economic growth and ways to promote higher levels of national product, income, and employment. (42)

Families Purchase More Vegetables With the Assistance of Food Stamps

Food coupons have helped families buy more vegetables—about two and a half pounds more every week.

Families participating in the stamp program spend 16 to 33 per cent more for vegetables than before the program started.

These figures were collected in a study of the pilot stamp program among low-income families in Detroit, Mich., and rural areas of Fayette County, Penn. The survey was made in the spring of 1961 before the program was begun and approximately five months after its start.

With food coupons, these families in effect had more money to spend for food. They spent a proportionate share of their additional food dollars for the purchase of vegetables. (44)

RECENT PUBLICATIONS

The following publications are issued by the Economic Research Service and cooperatively by the state universities and colleges. Unless otherwise noted, reports listed here and under Sources are published by ERS. Single copies are available free from the Division of Information, OMS, U.S. Department of Agriculture, Washington 25, D.C. State publications may be obtained from the issuing agencies of the respective states.

WHEAT GROWERS' MACHINERY COSTS, BY SIZE OF FARM, IN CENTRAL NORTH DAKOTA. Erling Hole and James Vermeer, Farm Production Economics Division. AER-24.

This report includes the results of a study of costs of owning and operating machinery on three sizes of spring wheat farms in central North Dakota in 1960. Total cost per acre for major tractor-drawn and self-propelled machinery averaged about 15 per

cent higher on farms with 180 to 419 acres of cropland than on those with 660 to 899 acres. Costs on farms in the middle group—420 to 659 acres—averaged only slightly higher than those in the largest acreage group. Costs of running and operating farm machinery represented about 60 per cent of total operating expenses on the average wheat-small grain-livestock farm in central North Dakota.

EDUCATION, SKILL LEVEL, AND EARNINGS OF THE HIRED FARM WORKING FORCE OF 1961. James D. Cowhig, Economic and Statistical Analysis Division. AER-20.

In this report, attention is focused on the relationships between kinds of farm and nonfarm jobs and educational attainment. In December 1961, 73 per cent of all adult farm workers (those 25 years old and over) had no more than a grade school education. Only 1 out of 7 was a high school

graduate. The information was collected for ERS by the Bureau of the Census in conjunction with the Current Population Survey.

LIVESTOCK-PRODUCTION UNITS, 1910 TO 1961. Earl F. Hodges, Farm Production Economics Division. Statis. Bul. No. 325.

The balance between livestock production and the feed supply is of national concern during periods of both feed surpluses and feed shortages. Livestock-production units are an effective means of measuring the balance between livestock production and feed consumption. Statistics are given on cattle, hogs, milk and eggs, poultry, sheep and lambs, horses and mules, and goats.

THE ORGANIZATION OF WHOLESALE FRUIT AND VEGETABLE MARKETS IN MIAMI AND TAMPA-ST. PETERSBURG. Robert W. Bohall, Marketing Economics Division. MRR-593.

The Miami and Tampa-St. Petersburg produce markets are the main source of fresh fruits and vegetables for 3.5 million people from Key West 400 miles north to Orlando. Receipts of fresh fruits and vegetables were 30,000 carlots for Miami and 18,900 carlots for Tampa-St. Petersburg in 1958. This report is the tenth in a series under the general title, "The Organization of Wholesale Fruit and Vegetable Markets."

ECONOMIC EFFECTS OF U.S. GRADES FOR LAMB. Darrell F. Fienur, William C. Motes, Stephen J. Hiemstra, and Robert L. Laubis, Marketing Economics Division. AER-25.

In 1959 and early 1960, federal grading was widely decried as the cause of depressed conditions in the lamb industry. Price analysis

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Speech (S); published report (P); report in process (M); special material (SM).

suggests that factors other than grading were responsible for the 1958-61 lamb price decline. Lamb prices are affected primarily by changes in the supply of lamb and beef. Federal grades have an important positive effect on lamb marketing. They promote competition among buyers, among sellers, and between buyers and sellers. They facilitate trade and may lower total marketing costs. Although federal grading does not affect all segments of the lamb industry equally, the net impact appears to be favorable from the public interest and overall industry points of view.

MARKETING WESTERN FRUITS AND VEGETABLES — LONG-TERM OUTLOOK. Dale G. Stallings, Marketing Economics Division. ERS-77.

The long-term outlook for marketing fruits and vegetables from the 11 western states is for continued growth. The western region now supplies about 65 per cent of the noncitrus fruit, 45 per cent of the vegetables and 28 per cent of the citrus fruit. Increases in the proportions of noncitrus fruits and vegetables and a small decrease in the proportion of citrus supplied by the West by 1975 are in prospect. This report discusses factors that are likely to affect significantly the marketing of fruits and vegetables.

THE SOUTHEASTERN VEGETABLE PROCESSING INDUSTRY: MARKET-

ING PRACTICES AND MANAGEMENT PROBLEMS, 1960. F. W. Williams, Marketing Economics Division, ERS, and M. B. Allen, Georgia Experiment Station. MRR-583.

The purpose of this study is to evaluate processing as a market outlet for vegetables processed in the Southeast. The survey was made in 1961 in Alabama, Florida, Georgia, Mississippi, North Carolina, South Carolina and Tennessee. Fresh markets are the dominant outlets for over 80 per cent of southern vegetables, with less than 20 per cent for processing. Total vegetable production in the Southeast declined 12 per cent between 1955 and 1961. Low yields per acre of many vegetables are one of the South's great competitive disadvantages in the processing industry. Several strong points could foster future economic growth, including the rapid southern population expansion.

PRICES AND MARKETING MARGINS FOR WASHINGTON DELICIOUS APPLES SOLD IN CHICAGO AND NEW YORK CITY, 1956-1961. Victor G. Edman, Marketing Economics Division. MRR-586.

From 1956 to 1961 Washington Delicious apples accounted for 22 per cent of the total apple crop. The purposes of the study are to show the extent and nature of Washington Delicious apple price

variations and to indicate the size of the total marketing margin for Washington Delicious apples. Retail prices averaged higher in Chicago than in New York City in four of the five seasons studied but auction prices were higher in New York City during four of the five seasons. Returns to producers varied widely over the five seasons. The smallest return was 77 cents per carton, or 10 per cent of the retail price, for apples sold in Chicago during 1957-58. The largest was \$3.28, or 35 per cent of the retail price, in Chicago in 1956-57.

CHANGES IN THE CATTLE-FEEDING INDUSTRY ALONG THE NORTH AND SOUTH PLATTE RIVERS, 1953-1959. Elmer C. Hunter, Farm Production Economics Division. ERS-98.

Approximately 6 per cent of the cattle that are fattened in the United States are fed in the irrigated valleys of the North and South Platte Rivers. The importance of cattle feeding in the area has been increasing, and the cattle-feeding industry directly or indirectly produces more than half of the area's agricultural income. During the period 1953-59, the number of cattle fed within the area increased by nearly half—from 536,500 to 797,055 head. There are indications that the study area might be fattening as many as 1,500,000 head of cattle by 1970.